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9 *Attorney For Creditors Robert & Esther Mermelstein*

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12 UNITED STATES BANKRUPTCY COURT
13 CENTRAL DISTRICT OF CALIFORNIA
14 LOS ANGELES ANA DIVISION

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16 In re
17 LESLIE KLEIN,
18 Debtor and Debtor in Possession,

19 Case No. 2:23-bk-10990-SK

20 Hon. Sandra Klein

21 Chapter 11

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28 **RESPONSE OF ROBERT & ESTHER
MERMELSTEIN TO LIFE CAPITAL GROUP,
LLC'S MOTIONS (1) FOR RELIEF FROM THE
AUTOMATIC STAY UNDER 11 USC § 362, AND
(2) DIRECTING LCG TO PAY FUNDS TO
CHAPTER 11 ESTATE**

29 Date: 5-17-2023

30 Time: 9:00AM

31 Place: 255 East Temple Street Los Angeles
32 Courtroom 1575

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39 **TO THE HONORABLE SANDRA R. KLEIN, UNITED STATES BANKRUPTCY
40 JUDGE, THE DEBTOR AND HIS COUNSEL, MOVANTS AND THEIR COUNSEL,
41 AND ALL OTHER INTERESTED PARTIES:**

42 Creditors Robert & Esther Mermelstein ("Mermelstein")¹ responds to the Motion for

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47 ¹ Mermelstein has timely filed seven (7) *Proofs of Claim* against Klein totaling
48 \$13,480,949, primarily based on Klein's misappropriating insurance policies, as
49 follows:

- 50 (1) Claim # 19-1 (Garza) \$500,000.00;
51 (2) Claim # 20-1 (Times Square) \$333,333.00;
52 (3) Claim # 21-1 (Ganz) \$500,000.00;
53 (4) Claim # 22-1 (Spitzer) \$2,250,000.00;
54 (5) Claim # 23-1 (Kohn) \$1,200,000.00;
55 (6) Claim # 24-1 (Friedman) \$1,000,000.00; &
56 (7) Claim # 25-2 (Zimmerman) \$7,697,616.34.

57 TOTAL: **\$13,480,949**

1 Relief from the Automatic Stay Under 11 U.S.C. § 362 (the “Stay Motion”) [DoC-88]; and (b)
2 the Motion Directing LCG to Pay Funds to Chapter 11 Estate (the “Payment Direction Motion”)
3 [Doc-90] filed by Life Capital Group, LLC (“LCG”), and represents and alleges as follows:

4 Regarding Mermelstein’s Claim # 25-2 (Zimmerman) \$7,697,616.34 and Mermelstein’s
5 Claim # 23-1 (Kohn) \$1,200,000.00, Mermelstein owns a 25% ownership in the Zimmerman
6 policy and also a partial ownership in the Kon policy. Both of these policies are at LCG.

7 Klein, as Trustee of the Rozy Pearl Zimmerman Irrevocable Life Insurance Trust (the
8 “Zimmerman Trust”) issued three Non-Recourse Promissory Notes (the “Zimmerman Notes”) to
9 me and my wife, secured by the Zimmerman Policy in the amount of \$2,357,679.50:

- 10 a. Non-Recourse Promissory Notes # 1, principal sum of \$1,412,679.53, dated June
11 15, 2011 - due June 15, 2020 (the “\$1,412,679.53 Zimmerman Note”);
12 b. Non-Recourse Promissory Notes # 2, principal sum of \$570,000.00, dated
13 December 7, 2009 - due December 7, 2019 (the: “\$570,000.00 Zimmerman
14 Note”);
15 c. Non-Recourse Promissory Notes # 2, principal sum of \$375,000.00, dated January
16 14, 2010 - due January 14, 2020 (the “\$375,000.00 Zimmerman Note”).

17 Interest on the three Non-Recourse Zimmerman Notes until 4-30-2023 comes to
18 \$2,939,936.84.

19 Therefore the total amount of the amended claim is: \$7,697,616.34 (\$2,400,000.00
20 (Zimmerman Policy) + \$2,357,679.50 (3 Zimmerman Notes) + 2,939,936.84 (interest) =
21 \$7,697,616.34.

22 Debtor Leslie Klein (“Klein”) paid premiums of the Zimmerman Policy up to 2011.
23 Thereafter, Klein apparently sold portions or the entirety of the Zimmerman Policy to Life
24 Capital Group, LLC (“LCG”), where Shlomo Yehuda Rechnitz (“Rechnitz”) was to resume
25 paying the Zimmerman Policy premiums from 2011 onwards. Klein concealed this information
26 from Mermelstein. Section 12.1 of the LCG Operating Agreement provides:

27 Section 12.1 Rabbinical Counsel. If any dispute arises between the Members regarding this
28 Agreement or any provision hereof, that dispute shall be resolved through a binding arbitration

1 proceeding to be conducted in the State of California in accordance with the commercial
2 arbitration rules of the Rabbinical Council of California.

3 Mermelstein agrees with LCG and the Gestetner Charitable Remainder Unitrust and A.
4 Gestetner Family Trust (“Gestetner”), that the disputes with respect to the Debtor Leslie Klein
5 (“Klein”)’s membership interest in LCG, including disputes between Mermelstein, LCG and
6 Klein be adjudicated by the RCC as required by LCG’s Operating Agreement.

7 Mermelstein agrees with LCG and Gestetner that a determination of Mermelstein’s and
8 Klein’s rights in LCG should be made by the RCC in accordance with the binding arbitration
9 provision in LCG’s operating agreement. As such, Mermelstein joins in the relief requested by
10 LCG in connection with the Stay Motion.

11 If the Stay Motion is granted, Mermelstein understands that the disputed funds would be
12 set aside pending a decision by the RCC. However, if the Stay Motion is not granted, LCG
13 requests – in the Payment Direction Motion – that in the alternative, the Court provide direction
14 as to where, and to whom such payments should be made (given the pendency of both this
15 chapter 11 case and competing demands by certain creditors of the Debtor’s estate that LCG
16 should pay certain funds directly to such creditors, as opposed to the Debtor). Mermelstein agrees
17 that it is appropriate for LCG to seek such direction from the Court. However, Mermelstein does
18 not believe that it would be appropriate to turn over disputed funds to Klein, given the multiple
19 allegations of fraud against him, the request of the Office of the United States Trustee for the
20 appointment of a Chapter 11 trustee [Doc-98] , and the request of Franklin H. Menlo, co-trustee
21 of The Franklin Menlo Irrevocable Trust established on March 1, 1983 (“Menlo”) that this case
22 cries out for conversion to chapter 7, not dismissal of the case [Doc-99] .

23 As such, if the Stay Motion is not granted, Mermelstein requests that any disputed funds
24 be held by the RCC pending resolution.

25 DATED: May 3, 2023

LAW OFFICE OF BARUCH C. COHEN
A Professional Law Corporation
By /S/ Baruch C. Cohen
Baruch C. Cohen, Esq.
*Attorney For Creditors Robert & Esther
Mermelstein*

PROOF OF SERVICE OF DOCUMENT

I am over the age of 18 and not a party to this bankruptcy case or adversary proceeding. My business address is:

4929 Wilshire Boulevard, Suite 940, Los Angeles, California 90010.

A true and correct copy of the foregoing document entitled: **RESPONSE OF ROBERT & ESTHER MERMELSTEIN TO LIFE CAPITAL GROUP, LLC'S MOTIONS (1) FOR RELIEF FROM THE AUTOMATIC STAY UNDER 11 USC § 362, AND (2) DIRECTING LCG TO PAY FUNDS TO CHAPTER 11 ESTATE** will be served or was served (a) on the judge in chambers in the form and manner required by LBR 5005-2(d); and (b) in the manner stated below:

1. TO BE SERVED BY THE COURT VIA NOTICE OF ELECTRONIC FILING (NEF): Pursuant to controlling General Orders and LBR, the foregoing document will be served by the court via NEF and hyperlink to the document. On (date) 5/4/2023, I checked the CM/ECF docket for this bankruptcy case or adversary proceeding and determined that the following persons are on the Electronic Mail Notice List to receive NEF transmission at the email addresses stated below:

Reem J Bello	rbello@goeforlaw.com, kmurphy@goeforlaw.com
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Service information continued on attached page

2. SERVED BY UNITED STATES MAIL: On 5/4/2023, I served the following persons and/or entities at the last known addresses in this bankruptcy case or adversary proceeding by placing a true and correct copy thereof in a sealed envelope in the United States mail, first class, postage prepaid, and addressed as follows. Listing the judge here constitutes a declaration that mailing to the judge will be completed no later than 24 hours after the document is filed.

Service information continued on attached page

3. SERVED BY PERSONAL DELIVERY, OVERNIGHT MAIL, FACSIMILE TRANSMISSION OR EMAIL (state method for each person or entity served): Pursuant to F.R.Civ.P. 5 and/or controlling LBR, on 5/4/2023, I served the following persons and/or entities by personal delivery, overnight mail service, or (for those who consented in writing to such service method), by facsimile transmission and/or email as follows. Listing the judge here constitutes a declaration that personal delivery on, or overnight mail to, the judge will be completed no later than 24 hours after the document is filed.

Hon. Sandra Klein, 255 E. Temple Street, Suite 1582, Los Angeles, CA 90012

Service information continued on attached page

I declare under penalty of perjury under the laws of the United States that the foregoing is true and correct.

5/4/2023 Baruch C. Cohen, Esq.
Date Printed Name

/s/ Baruch C. Cohen
Signature